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C. DUKES SCOTT
EXECUTIVE DIRECTOR

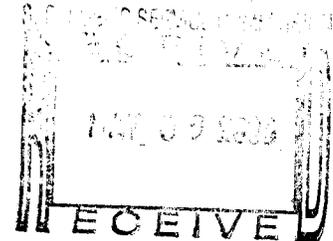
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May 4, 2006



Scott Elliott, Esquire
Charles Cook, Esquire
Elliott & Elliott, PA
721 Olive Street
Columbia, SC 29205

Re: Application of Midlands Utility, Inc. Requesting Approval of a Contract for the Transfer and Sale of Certain of Its Sewerage Collection Systems within Lexington County, South Carolina to the City of Cayce
Docket No.: 2006-125-S

Dear Mr. Elliott and Mr. Cook:

Please find enclosed and served on you the Office of Regulatory Staff's First Continuing Data Requests in the above referenced matter. Please let me know if you have any questions.

Sincerely,

Wendy B. Cartledge

Wendy B. Cartledge

WBC/pjm

Enclosure

cc: Mr. Charles L.A. Terreni

BEFORE
THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA
DOCKET NO. 2006-125-S

IN RE: Application of Midlands Utility,)
 Inc. Requesting Approval of a) **Office of Regulatory Staff's First**
 Contract for the Transfer and Sale) **Continuing Data Request**
 Of Certain of Its Sewerage)
 Collection Systems within)
 Lexington County, South Carolina)
 To the City of Cayce)

**TO: CHARLES COOK, ESQUIRE AND SCOTT ELLIOTT, ESQUIRE,
ATTORNEY FOR THE APPLICANT, MIDLANDS UTILITY, INC.
("MIDLANDS" or "THE COMPANY"):**

INSTRUCTIONS

The Office of Regulatory Staff hereby requests, pursuant to 26 S.C. Code Regs. 103-853 (Supp. 2005), that the Applicant answer the following data requests in writing and under oath and serve the Answer upon the undersigned within ten (10) days after service of this Data Request at the Office of Regulatory Staff, 1441 Main Street, Suite 300, Columbia, South Carolina, 29201. If you are unable to respond to any of the data requests, or part or parts thereof, please specify the reason for your inability to respond and state what other knowledge or information you have concerning the unanswered portion.

As used in these data requests, "identify" means, when asked to identify a person, to provide the full name, title, and current address and telephone number of the person. When asked to identify or provide a document, "identify" and "provide" means to provide a full and detailed description of the document and the name and address of the person who has custody of the document. In lieu of providing a full and detailed description of a document, you may attach to your responses a copy of the document and identify the person who has custody of it.

When the word "document" is used herein, it means any written, printed, typed, graphic, photographic, or electronic matter of any kind or nature and includes, but is not limited to, statements, contracts, agreements, reports, opinions, graphs, books, records, letters, correspondence, notes, notebooks, minutes, diaries, memoranda, transcripts, photographs, pictures, photomicrographs, prints, negatives, motion pictures, sketches, drawings, publications, and tape recordings. As used in this data request, "address" means mailing address and business address.

Wherever in this data request a masculine pronoun or possessive adjective appears, it refers to both males and females in accordance with traditional English usage.

IT IS HEREIN REQUESTED:

- A. That all information shall be provided to the undersigned in the format as requested.
- B. That all responses to the requests below be labeled using the same numbers as used herein.
- C. That each of the enumerated data requests be reproduced at the beginning of each of the responses.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the data request in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.
- F. That all exhibits be reduced to 8 ½" x 11" format, where practical.
- G. That the requested information be bound in ring binders (loose leaf notebooks) or otherwise suitably bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each response be indicated.

- I. That the Company provide to the Office of Regulatory Staff two copies of the responses to this data request, in addition to providing responses in an electronic format, as soon as possible but no later than ten (10) days after service thereof.
- J. If the response to any data request is that the information requested is not currently available, please state when the information requested will be available.
- K. This data request shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.

QUESTIONS

- 1.1
 - a. List each subdivision or service area included in the transfer to the City of Cayce.
 - b. For each subdivision, identify whether the subdivision is located within the City of Cayce or outside the City of Cayce.
 - c. For each subdivision, provide the total number of customers in the subdivision and provide a breakdown of the customers by classification under the classifications used in Midlands' tariff.
- 1.2
 - a. If the proposed transfer is approved, list each subdivision or service area that Midlands will serve following the transfer.
 - b. For each subdivision listed in response to 1.2(a), provide the total number of customers in the subdivision and provide a breakdown of the customers by classification under the classifications used in Midlands' tariff.
 - c. For each subdivision or service area listed in response to 1.2(a), identify the entity providing treatment services.
- 1.3 The April 4, 2006 letter from Mayor Avery B. Wilkerson, Jr. states on page 2 that Midlands' customers who are receiving wastewater treatment through Cayce's treatment system at the time of the closing of the purchase will not be required to pay any new tap fees or capacity fees. The letter further states that the City commits to keep the rate classification in effect for at least one year from the day of closing of the purchase. After the one year period, what will be the new rates for the customers that are being transferred? What will be the process for establishing rates for these customers? What procedure will be implemented to ensure that the transferred customers may participate in the process of setting future rates? Will Midlands' customers (i.e. Bellemeade) who are not receiving wastewater treatment through Cayce's treatment system at the time of the closing of the purchase be charged tap fees and/or capacity fees? Please state the amounts of the tap fees and/or capacity fees.

- 1.4 Will Midlands remain a viable company following the transfer of the customers to the City of Cayce? What will be the projected revenue? What will be the projected expenses?
- 1.5 What, if any, long term debts will be retained by Midlands following the transfer of the customers to the City of Cayce? Will the profits from the sale be used to eliminate the existing debts of Midlands?
- 1.6 Provide documented cost estimates for the construction of the Bellemeade Pump Station Facilities.
- 1.7 Provide documented cost estimates for the closeout of the Bellemeade wastewater treatment facility.
- 1.8 How will this transfer of customers impact the construction plans as proposed by Midlands in Docket 2004-297-S? Please explain.
- 1.9 What is the status of the construction proposed by Midlands in Docket 2004-297-S? Please explain. Is construction on schedule? How will the projected cost for the construction proposed in Docket 2004-297-S change as a result of the proposed transfer? How will the construction activity be funded given the plans outlined in this application?
- 1.10 How will Midlands benefit by having the sale of the Property structured as an involuntary conversion pursuant to IRC Section 1033? Please explain. Will there be any property replacement as allowed pursuant to IRC Section 1033? If so, please explain Midland's planned property replacement. Include Midland's schedule for property replacement.
- 1.11 Provide a complete copy of the schedules that are a part of the transfer agreement.
- 1.12 What are Midland's plans for the property that it will retain at the Bellemeade wastewater treatment facility following the closeout of the treatment system?
- 1.13 What ongoing legal matters will be settled at the time of closing with Midlands and the City of Cayce?
- 1.14 Provide a copy of the most current DHEC Wastewater Treatment Facility Operation and Maintenance Evaluation Report for all wastewater systems owned and/operated by Midlands.
- 1.15 Are there any outstanding loan agreements involving Midlands? If so, for each loan:
 - a. State whether the loan is approved and finalized.
 - b. State whether Midlands is in receipt of the funds from the loan agreement.
 - c. Provide the loan amount.

- d. Provide the interest rate.
- e. Provide the loan period in months.
- f. State the lender.
- g. State the use or planned use of the loan.
- h. Provide a copy of each loan agreement, its applicable amortization schedule, and any other relevant documentation.

May 4, 2006

Wendy B. Cartledge
Wendy B. Cartledge, Esquire
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